

Message Text

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FOLLOWING REPEAT STATE 306185 ACTIONTOKYO DEC 23

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SUBJECT: NEW YORK TIMES ARTICLE ON JAPAN

1. FOLLOWING IS COMPLETE TEXT OF A NEW YORK TIMES DEC 20
ARTICLE BY ANDREW MALCOLM.

2. BEGIN TEXT. "ECONOMIC SETUP IN JAPAN BLOCKS SALE OF
IMPORTS"

3. TOKYO, DEC. 19--THE JAPANESE CUSTOMS INSPECTOR OPENS
EVERY CRATE OF METAL BASEBALL BATS FROM A FOREIGN MANUFACT-
URER. HE SELECTS ONE BAT, SAWS IT OPEN AND RULES THAT THE
INSIDE IS NOT MACHINED SUFFICIENTLY. THE WHOLE SHIPMENT IS
REJECTED.

4. A RESTAURANT OWNER IMPORTING GIANT PIZZA OVENS FINDS
THE FOREIGN PRODUCTS CLASSIFIED AS "APPLIANCES" AND THERE-
FORE SUBJECT TO MUCH HIGHER DUTIES.
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5. A SUPPLIER OF VETERINARIAN INSTRUMENTS WANTS TO ORDER
SOME TOOLS FROM ABROAD. BUT HE IS TOLD HE MUST APPLY FOR
AN IMPORT LICENSE AND THEN HE MUST GET APPROVAL FOR THE
IMPORT AND THEN THE IMPORT MUST BE TESTED. THE PROCEDURE
COULD TAKE A YEAR.

6. SUCH EXAMPLES OF THE DIFFICULTY OF SELLING IMPORTS IN JAPAN ARE LEGION IN THE FOREIGN BUSINESS COMMUNITY HERE. "IT'S ALL PART OF THAT FAMOUS TWO-WAY JAPANESE STREET," AN AMERICAN BANKER SAID BITTERLY. "IT ONLY GOES ONE WAY."

7. FORMIDABLE FACT OF LIFE

8. AND THESE EXAMPLES ALSO ILLUSTRATE A FORMIDABLE FACT OF LIFE OVERLOOKED IN THE RECENT JAPAN-UNITED STATES NEGOTIATIONS TO DEFUSE INCREASING TRADE TENSIONS. THE REALITY IS THAT NO HANDFUL OF ACTIONS REACHED OVER THE POLISHED BARGAINING TABLE IS GOING TO CHANGE OVERNIGHT THE ENTRENCHED NATIONAL ECONOMIC SYSTEM REFLECTING JAPAN'S CLANNISH, INSULAR STRUCTURE.

9. "YOU START OFF WITH THE FACT THAT JAPAN HAS A BASIC PROTECTIONIST POLICY," SAYS BRUCE RANKIN, CANADA'S AMBASSADOR HERE. "IT'S THE NATURAL INSTINCT." MR. RANKIN AND OTHERS BELIEVE THIS POLICY OR INSTINCT WILL NEVER CHANGE WITHOUT SUSTAINED INTENSE PRESSURE FOR REFORM FROM ABROAD.

10. OFFICIALLY, THE JAPANESE GOVERNMENT DENIES THERE IS ANY COLLUSION WITH JAPANESE COMPANIES TO PROTECT THE HOMETOWN MARKET FOR HOMETOWN CONCERNS. BUT WHETHER OFFICIALLY INSPIRED OR MERELY THE OUTCOME OF HISTORICAL COINCIDENCE AND CULTURAL GAPS, FOREIGN BUSINESSMEN HERE SAY, THE RE-

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SULT IS THE SAME. "IT'S DAMNED TOUGH TO SELL HERE," SAYS ONE.

11. DURING THE IMMEDIATE POSTWAR RECOVERY PERIOD, JAPAN'S PROTECTIONIST POLICIES WERE OPEN AND DESIGNED TO NURTURE INFANT INDUSTRIES, WHICH IN TURN WERE DESIGNING THEMSELVES FOR HEAVY EXPORTS. "JAPAN IS ALL REBUILT NOW," SAYS AN AMERICAN BANKER. "THEY'RE UP THERE IN THE MAJORS. BUT THEY STILL WANT TO PLAY BY LITTLE LEAGUE RULES WHEN THEY COME TO BAT."

12. MUCH OF JAPAN'S STATUTORY PROTECTIONISM, SUCH AS TARIFFS, HAS BEEN DROPPED OR REDUCED OVER THE YEARS. BUT THE JAPANESE OFTEN ATTACH MORE IMPORTANCE IN COMMUNICATION TO WHAT IS UNSPOKEN THAN TO WHAT IS EXPLICIT. THUS, JAPAN IS GENERALLY CONSIDERED TO HAVE MORE NONTARIFF TRADE BARRIERS THAN ANY OTHER MAJOR INDUSTRIALIZED NATION.

13. MAPLE SYRUP CONTROLS DROPPED

14. IN THE AREA OF QUOTAS, FOR INSTANCE, THE UNITED STATES HAS SEVEN CATEGORIES, THE BENELUX COUNTRIES HAVE EIGHT AND

CANADA, FIVE. JAPAN RETAINS 27. THIS FALL THE UNITED STATES "SUGGESTED" THAT ALL OF THESE BE ABOLISHED. JAPAN'S REPLY, ANNOUNCED HERE RECENTLY, WAS TO LIBERALIZE MODESTLY THE QUOTAS ON SOME ITEMS AND DROP CONTROLS ON OTHER MINOR SUB-ITEMS LIKE MAPLE SYRUP, NOT A BASIC COMMODITY IN JAPANESE HOMES.

15. BUT THE BARRIERS GO BEYOND OFFICIAL RESTRICTIONS. THEY INCLUDE THE FOLLOWING:

16. --THE SIMPLEST IMPORT PROCEDURE HERE REQUIRES 10 SEPARATE STEPS. INSTEAD OF SIMPLY INSPECTING INVOICES AND PERHAPS SPOT-CHECKING PRODUCTS, CUSTOMS OFFICERS OPEN UNCLASSIFIED

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EVERY CRATE WITH A TIME-CONSUMING THOROUGHNESS THAT IS ALSO COSTLY. THIS CAUSES DELAYS IN SHIPMENTS PLUS STORAGE CHARGES FOR THE BONDED WAREHOUSE.

17. --THE CUSTOM'S BUREAU ALSO REQUIRES THAT ALL IMPORTED CANNED GOODS BEAR STICKERS INDICATING THE COUNTRY OF ORIGIN, NAME AND ADDRESS OF IMPORTER, INGREDIENTS, IMPORT DATE AND METRIC WEIGHT. THIS REQUIRES COSTLY HIRING OF WORKERS TO PASTE LABELS ON EVERY CAN ON THE PIER. UNDER SOME INTERPRETATIONS, THIS ALSO REQUIRES BLACKING OUT OF THE WEIGHT IN OUNCES.

18. --THE GOVERNMENT'S TOBACCO MONOPOLY REQUIRES THAT FOREIGN TOBACCO PRODUCTS MAY BE SOLD ONLY AT A LIMITED NUMBER OF OUTLETS.

19. --INGREDIENTS IN IMPORTED PHARMACEUTICALS AND COSMETICS MUST GO THROUGH RENEWED TESTING IN JAPAN AT GOVERNMENT-SELECTED LABORATORIES. EXTRA COSTLY TESTING CAN BE REQUIRED AT WILL.

20. --GOVERNMENT CONTRACTS AND PURCHASES ARE GENERALLY NEGOTIATED OR BID PRIVATELY AND FOREIGN COMPANIES HAVE BEEN EXCLUDED.

21. --IMPORTERS OFTEN ARE SUMMONED TO JUSTIFY OVERSEAS PURCHASES IF LOCAL PRODUCTS ARE AVAILABLE. THIS IS EUPHEMISTICALLY CALLED "ADMINISTRATIVE GUIDANCE." AN IMPORTER CAN'T BE REQUIRED TO BUY LOCALLY, BUT HE MIGHT AVOID FUTURE DIFFICULTIES IF HE DOES.

22. --JAPANESE AGRICULTURE -- WHAT ONE WESTERN IMPORTER CALLED "A FANTASYLAND" -- IS ALSO HEAVILY PROTECTED. BEEF UNCLASSIFIED

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IMPORT QUOTAS, FOR EXAMPLE, ARE CONTROLLED BY A CARTEL THAT SETS PRICES UP TO 10 TIMES THE WORLD PRICE. A MEDIUM-GRADE

HAMBURGER RETAILS HERE FOR ABOUT \$7 A POUND. OFFICIALS SAY LIVE BEEF CAN BE IMPORTED WITHOUT RESTRICTIONS, BUT THE LENGTHY REQUIRED QUARANTINE AND LIMITED FACILITIES EFFECTIVELY SET A QUOTA THERE, TOO.

23. LANGUAGE AND SUSPICION

24. BUT OTHER BARRIERS, CULTURAL ONES, MAY BE EVEN MORE RESISTANT TO NEGOTIATED SETTLEMENTS. THERE IS THE DIFFICULT LANGUAGE BARRIER. A BASIC SUSPICION OF FOREIGNERS. AN UNWRITTEN RULE AGAINST JAPANESE CORPORATIONS ' SELLING OUT TO A FOREIGN TAKEOVER. A TRADITION OF PLACING VERBAL ORDERS SUBJECT TO CHANGE COMPARED WITH AN INVOLABLE WESTERN-STYLE WRITTEN CONTRACT.

25. THERE ARE UNIQUE JAPANESE CONSUMER TASTES THAT, FOR INSTANCE, MAKE PACKAGED SEaweEDS A BIG HOLIDAY GIFT ITEM ALONG WITH A WHOLE SALMON. THERE IS, WHAT ONE FOREIGNER CALLS "THE 98-CENT UMBRELLA SYNDROME," WHICH DICTATES THAT A CHEAP PRODUCT, ESPECIALLY A FOREIGN ONE, CAN'T BE ANY GOOD. THAT RESULTS IN IMPORT MARKUPS OFTEN OF SEVERAL HUNDRED PERCENT BY LOCAL DISTRIBUTORS. THIS LIMITS SALES.

26. IMPORTANTLY, THERE ARE, TOO, STRUCTURAL BARRIERS MILITATING AGAINST CHANGE IN THIS ANCIENT NATION OF 113 MILLION. THE MARKET IS ALREADY SOPHISTICATED AND QUITE COMPETITIVE. LIKE JAPANESE SOCIETY, ITS WHOLESALE AND DISTRIBUTION SYSTEMS ARE COMPLEX, MULTILAYERED, ENTRENCHED AND OFTEN BASED ON STRONG PERSONAL RELATIONSHIPS OR LOYALTIES THAT TAKE YEARS TO BUILD. THUS, FOR INSTANCE, A COSMETIC STORE OWNER WILL SELL THE PRODUCTS OF ONLY ONE OR TWO COM-

PANIES. UNLESS A NEWCOMER WANTS TO START HIS OWN

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CHAIN, A MARKET ENTRY CAN BE QUITE DIFFICULT.

27. AND THERE IS ALSO A RADICALLY DIFFERENT MANAGEMENT PHILOSOPHY IN JAPAN. A JAPANESE MANUFACTURER, USUALLY ASSOCIATED WITH A SUPPORTIVE BANKING INSTITUTION, IS PREPARED TO ENDURE SEVERAL YEARS OF BUSINESS LOSSES IN A MARKET. OFTEN, LESS PATIENT WESTERN BUSINESS-

MEN HERE FEEL PRESSURED TO CONCERN THEMSELVES MORE WITH
QUARTERLY PROFIT REPORTS. VANCE. UNQUOTE CHRISTOPHER

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